

# ECONOMIC PREVIEW



Week of February 16, 2026

## Indicator/Action Economics Survey:

## Last Actual:

## Regions' View:

<b>Fed Funds Rate: Target Range Midpoint</b> (After the March 17-18 FOMC meeting): Target Range Mid-point: 3.375 to 3.625 percent Median Target Range Mid-point: 3.625 percent	Range: 3.50% to 3.75% Midpoint: 3.625%	In a holiday shortened week, a crowded data docket is mainly filled with releases that were delayed by the government shutdown. To be clear, not the current partial shutdown, or the partial shutdown before the current partial shutdown, but last year's full shutdown. In addition, Wednesday brings the minutes of the January FOMC meeting, which may shed light on whether the Committee is any less divided on the appropriate path of monetary policy in 2026 than they were for much of 2025.
<b>November/December Building Permits</b> Wednesday, 2/18 Range: N/A Median: N/A	Oct = 1.412 million units SAAR	Census will release both the November and December data on residential building permits on February 18.
<b>November/December Housing Starts</b> Wednesday, 2/18 Range: N/A Median: N/A	Oct = 1.246 million units SAAR	Census will release both the November and December data on housing starts on February 18.
<b>December Durable Goods Orders</b> Wednesday, 2/18 Range: -5.1 to 2.4 percent Median: -2.0 percent	Nov = +5.3%	<u>Up</u> by 2.4 percent. Boeing's net orders rose from 8 in October to 126 in November, which fueled the jump in total durable goods orders. A further increase in December, when Boeing booked 167 net orders, should provide another boost to total durable goods orders, though our forecast is at odds with most others we've seen, hence our forecast being at considerable odds with the consensus. Either way, as we routinely note, we pay little attention to the headline durable goods order in any given month and instead focus in orders for core capital goods, an early indicator of business investment in equipment and machinery as reported in the GDP data. Our forecast anticipates another solid gain in the December data, pushing the dollar volume of orders even further above the top end of the oddly narrow range within which it meandered for over two years. We first saw signs of an upside breakout last July, but growth in core capital goods orders was somewhat narrowly focused, so there wasn't really convincing evidence at that point. That has changed, as growth in core capital goods orders has gotten stronger and more broadly based, and we think the changes in the corporate tax code enacted into law last summer have been a key catalyst. Note that there is a lag between changes in orders and changes in the business investment data in the GDP accounts, as it is shipments that enter into the GDP data. That said, with a string of solid advances in core capital goods orders which we think will continue, we think growth in business investment in equipment and machinery has much further to run, between firms catching up on replacement investment and seeking to further enhance labor productivity.
<b>Dec. Durable Goods Orders: Ex-Trnsp.</b> Wednesday, 2/18 Range: -0.3 to 0.8 percent Median: 0.3 percent	Nov = +0.4%	We look for <u>ex-transportation</u> orders to be <u>up</u> by 0.6 percent and look for <u>core capital goods</u> orders (nondesign defense capital goods excluding aircraft and parts) to also be <u>up</u> by 0.7 percent.
<b>January Industrial Production</b> Wednesday, 2/18 Range: -0.2 to 0.8 percent Median: 0.4 percent	Dec = +0.4%	<u>Up</u> by 0.7 percent with increases across the board in the manufacturing, mining, and utilities sectors. The details on aggregate hours worked in the January employment report show solid gains in the manufacturing and mining sectors, suggesting similar increases in industrial production. What is unclear, however, is the extent to which the significant boost in utilities output associated with Winter Storm Fern will be picked up in the January industrial production data given that the storm hit over the final week of the month. There is also a chance that manufacturing activity in parts of the country was disrupted by the unusually harsh storm. As such, the effects of Winter Storm Fern are a wild card in our forecast.
<b>January Capacity Utilization Rate</b> Wednesday, 2/18 Range: 76.0 to 76.9 percent Median: 76.5 percent	Dec = 76.3%	<u>Up</u> to 76.8 percent.
<b>December Trade Balance</b> Thursday, 2/19 Range: -\$87.0 to -\$46.8 billion Median: -\$55.8 billion	Nov = -\$56.8 billion	<u>Narrowing</u> to -\$49.3 billion though we cannot claim to have much conviction in that call given the wild swings in the data over the past few months, including a decline in imports of goods in October that was more than accounted for by a drop in imports of prescription drugs from Ireland. If for no other reason than out of self-defense, our forecast of the December data puts exports and imports of goods, and by extension the trade deficit, back in line with the paths they were on prior to these wild swings.

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<b>December Trade Balance</b> Range: -\$87.0 to -\$46.8 billion Median: -\$55.8 billion	Thursday, 2/19	Nov = -\$56.8 billion	<b>Continued from Page One:</b>  Another driver of the recent swings in exports and imports of goods has been flows of gold, and while these are accounted for in the monthly trade data published by Census, they do not enter into the calculation of GDP. As such, while we expect the Q4 GDP data to show a narrower trade deficit was supportive GDP growth, the extent to which that will be the case is harder to peg, making this one source of uncertainty in our forecast of Q4 real GDP growth. To that point, however, the treatment of imports in GDP accounting is more than a bit, let's say, awkward. More than one-half of all imports that come into the U.S. are either raw materials or intermediated goods used to produce final goods yet, in GDP accounting, these imports are treated as a drag on real GDP growth. This is particularly noteworthy of late as the share of total imports accounted for by such goods has risen meaningfully over the past several months, which is consistent with the premise of improving activity in the manufacturing sector. So, to the extent imports of raw materials and intermediate goods remained strong in December, we'll take that as a positive sign for overall economic growth, regardless of how that would be treated in GDP accounting.
<b>Q4 Real GDP: 1<sup>st</sup> estimate</b> Range: 1.5 to 3.8 percent Median: 3.0 percent SAAR	Friday, 2/20	Q3 = 4.4% SAAR	<u>Up</u> at an annualized rate of 1.8 percent, though if our forecast is on or near the mark it is hardly indicative of how the economy performed over the final months of 2025. As we understand the BEA's methodology, the government shutdown will be a material drag on measured Q4 real GDP growth, as the payback for the activity put off by the shutdown won't turn up until the Q1 2026 GDP data. As such, we think the shutdown could knock between 1.0 and 1.5 percentage points off Q4 real GDP growth (to be made up for in Q1 2026). Either way, we routinely point to real private domestic demand, i.e., combined business and household spending adjusted for price changes, to be a much better gauge of the pace of underlying activity, and our forecast puts Q4 growth in real private domestic demand right around 2.5 percent (annualized rate). Note that this would have been even stronger had it not been for the December retail sales report. Not only did the data show control group sales, a direct input into the GDP data on consumer spending on goods, falling by 0.1 percent in December, but prior estimates of growth in October and November were revised downward. As such, we marked down our forecast of Q4 growth in real consumer spending. The problem here, however, is that the seeming softness in December retail sales was no more than seasonal adjustment noise, as the not seasonally adjusted data show the strongest December gains for total and control retail sales since 2020. That the soft seasonally adjusted data were the basis for most reactions to the December retail sales data is one thing; that it is the seasonally adjusted data on control retail sales that feed into the GDP data is quite another thing, and one which will make Q4 real GDP growth look a bit weaker than was actually the case, regardless of how the government shutdown is accounted for in the GDP data.
<b>Q4 GDP Price Index: 1<sup>st</sup> estimate</b> Range: 2.0 to 3.7 percent Median: 2.9 percent SAAR	Friday, 2/20	Q3 = 3.8% SAAR	<u>Up</u> at an annualized rate of 2.4 percent.
<b>December Personal Income</b> Range: 0.0 to 0.7 percent Median: 0.3 percent	Friday, 2/20	Nov = +0.3%	<u>Up</u> by 0.2 percent. We expect a weak showing for private sector wage and salary earnings despite the increase in private sector payrolls in December. Average hourly earnings were basically flat and the average length of the workweek fell by one-tenth of an hour, which resulted in the earnings details from the December employment report showing a 0.2 percent decline in aggregate private sector wage and salary earnings. As this is far and away the largest single component of personal income, we expect this will have held down December income growth. Public sector earnings are also likely to be weak given the ongoing cuts in federal government payrolls. At the same time, we look for interest income to have been more or less flat for a third straight month which, along with what we anticipate will be a modest drop in dividend income, will leave asset-based income flat for December. Our forecast would yield a 4.9 percent increase in total personal income for 2025 as a whole, with private sector wage earnings up 4.5 percent. Moreover, we know earnings growth rebounded sharply in January, which will get 2026 income growth off to a solid start.

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<b>December Personal Spending</b> Range: 0.2 to 0.5 percent Median: 0.4 percent	Friday, 2/20	Nov = +0.5%	<p><u>Up</u> by 0.5 percent. The soft seasonally adjusted print on December control retail sales will act as a drag on goods spending as reported in the BEA data. One offset in the BEA data, however, is that the BEA data does not incorporate the retail sales measure of motor vehicle dealer revenue, which fell in December despite the increase in unit sales of new vehicles that is the basis of BEA's measure. As such, we look for spending on consumer durable goods to make a better showing in the BEA data than was the case in the December retail sales data. Additionally, we look for a healthy increase in services spending to have bolstered growth in total consumer spending in December. Recall that aside from restaurant sales, the retail sales data do not capture services spending, and the BEA uses a different measure of restaurant sales than is used by Census in producing the retail sales data.</p>
<b>December PCE Deflator</b> Range: 0.2 to 0.4 percent Median: 0.3 percent	Friday, 2/20	Nov = +0.2%	<p><u>Up</u> by 0.4 percent, which would yield a year-on-year increase of 2.9 percent. We look for the <u>core PCE Deflator</u> to also be <u>up</u> by 0.4 percent, translating into a year-on-year increase of 3.0 percent.</p>
<b>November/December New Home Sales</b> Range: N/A Median: N/A	Friday, 2/20	Oct = 737,000 units SAAR	Census will release both the November and December data on new single family home sales on February 20.

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